

VZCZCXRO3180
PP RUEHCN RUEHGH RUEHVC
DE RUEHBJ #0830/01 0882326
ZNR UUUUU ZZH
P 292326Z MAR 09
FM AMEMBASSY BEIJING
TO RUEHC/SECSTATE WASHDC PRIORITY 3160
RULSDMK/DEPT OF TRANSPORTATION WASHDC PRIORITY
RHMFIUU/FAA NATIONAL HQ WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEHOO/CHINA POSTS COLLECTIVE PRIORITY

UNCLAS SECTION 01 OF 02 BEIJING 000830

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E.O. 12958: N/A
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SUBJECT: CHINA'S TRANSPORT MINISTRY REORGANIZED: NO
BIG CHANGE FOR CAAC

REF: (A) BEIJING 585; (B) BEIJING 795

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¶1. (U) SUMMARY: China's State Council formally approved the reorganization of the Ministry of Transport (MOT) on March 16th. This is the first major organizational change since the MOT was created as a super-ministry in March, 2008, combining the former Ministry of Communications (MOC), the Civil Aviation Authority of China (CAAC), and the State Postal Bureau (SPB). At MOT's inception, organization and personnel changes were ordered frozen for a one-year period, and the powerful Ministry of Railways remained independent. Major outcomes of the reorganization include creation of two new Departments and increased visibility for logistics under MOT's purview. While the Civil Aviation Authority of China (CAAC) has been downgraded, it remains largely intact with Administrator Li Jiexiang retaining Minister-level status. The powerful Ministry of Railways remains independent but may be pulled into MOT next year. As a result of the reorganization, MOT may increase its Director General level positions by 30 percent. We expect good bilateral cooperation to continue. END SUMMARY.

MOT TAKES THE LEAD ON MULTI-MODAL TRANSPORT, LOGISTICS

¶2. (U) Under the new structure, MOT will have 12 functional departments or bureaus, plus a Party Committee and a Retired Personnel Bureau. Major changes include the establishment of two new departments: a Department of Transport and a Department of Safety Supervision. The new Department of Transport will be responsible for multi-modal transportation, covering water, roads and aviation and will have office responsible for Urban Mass-Transit and a Taxi Industry Management. It will also cover the logistics industry, one of ten key industries to receive government support under the stimulus plan (reftel A). MOT's new Department of Safety Supervision will include an Emergency Handling Office.

¶3. (U) The plan also includes some minor changes in nomenclature, functions and organizational structure.

The current Department of Highways and the Department of Water Transport will be renamed as the Highway Bureau and the Water Transport Bureau, indicating greater independence. These two bureaus will focus on infrastructure construction for highways and water transport. The Department of Reform and Legislation will be renamed the Department of Policy Research. The Hong Kong and Macao Office will be added to the Department of International Affairs. As a result of these changes at MOT, the number of Director General-level positions is expected to increase by 30 percent.

CAAC DOWNGRADED, BUT LARGELY INTACT

14. (U) The reorganization also included changes at CAAC, which remained largely intact although the one-year grace period had expired. CAAC itself has been downgraded to Vice-Ministry level organization. Only one division of CAAC, the multi-modal transport function of the Department of Comprehensive Planning, will be moved to MOT. All other departments in the CAAC will maintain the same organization and function.

WILL THE MINISTRY OF RAILWAYS JOIN MOT IN 2010?

15. (SBU) A MOT contact told EconOff that Minister of Transport Li Shenglin mentioned during internal discussions that the stand-alone Ministry of Railways (MOR) would be integrated into MOT by 2010, an action that would boost MOT's resources and influence. MOR is

BEIJING 00000830 002 OF 002

nicknamed "lao da" or "eldest son," to indicate its special, protected status. The ministry's considerable political pull and the central government's substantial emphasis on rail infrastructure in its stimulus plan have enabled MOR to increase its investment budget for 2009 by 80 percent, to USD 88 billion.

WHAT DOES IT ALL MEAN?

16. (SBU) COMMENT. Although MOT clearly gained clout in the reorganization, many industry and government contacts see the changes as a small victory for the independence of CAAC, which remained largely intact. The demotion of CAAC to a vice-ministry level organization means little to its operational staff. But it was unwelcome for political appointees at the vice-administrator level, and aviation industry contacts anticipate some struggles ahead. Observers say Administrator Li Jiexiang joined CAAC after the creation of the super-ministry, and would not have done so if CAAC's anticipated demotion was an issue. (Note: Administrator Li himself retains minister status and the compensation and benefits associated.) For the most part, we do not expect the organizational changes to affect cooperation with the U.S. Department of Transportation or FAA. But so long as CAAC Administrator Li, who has strong views about foreign dominance of the air cargo sector, remains in power, we anticipate more issues related to interpretation of the U.S.-China Air Traffic Agreement (refTel B). END COMMENT.

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